iowa
credit union
league

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December 12, 1997

Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury
Room 420, 401 14th Street S.W.
Washington D.C. 20227

RE: Proposed Rules Regarding Electronic Transfer of Federal Government Benefits

Dear Ms. Johnson:

The Iowa Credit Union League represents 213 member credit unions representing more than 750,000 accounts throughout the State of Iowa. We appreciate this opportunity to share the comments and concerns of our members about the Treasury's proposed rules on electronic transfer of government benefits.

Of primary concern to Iowa credit unions is the proposed bidding process for financial institutions who wish to be designated as financial agents for the purposes of receiving federal electronic payments. Such a bidding process would serve to limit the number of financial institutions that would have the opportunity to participate in this program, favoring larger institutions which have more resources to engage in an extended bidding process. An environment already exists in Iowa where assets of financial institutions are merging into large regional and national banking organizations. There is much debate as to whether this resource consolidation is detrimental to Iowa's citizenry. We believe that financial institutions that have little connection to their community primarily provide benefit to their stockholders rather than their depositing constituency. If a financial institution would be required to have significant resource to participate as a federal agent, this consolidation trend would be dramatically enhanced.

Further, those individuals that would be served under new EBT policy, are not traditionally bank customers. Banks have chosen, as a general rule, not to serve these EBT recipients because they are not profitable customers. These EBT recipients are truly the constituency of credit unions whose goal is service to their members not to generate a profit. This Treasury proposal would serve to eliminate credit union participation because of their lack of resource to bid as a financial agent. Our credit unions favor, instead, a rule

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that would allow any financial institution which would like to participate in the program, and is capable of receiving electronic deposits, to do so.

We are opposed to a rule allowing non-financial institutions, such as check cashing outlets, to receive payments for benefit recipients. Non-financial institutions are not properly regulated and as a rule, assess excessive fees for their services. Such an entity would not offer adequate protection to the benefit recipient nor would they provide services at the "reasonable cost" stipulated by the proposed rules. In addition, if one of the goals of the Treasury is to move individuals into the financial services mainstream, allowing non-financial institutions to receive payments would defeat that goal. While check cashing outlets argue that they serve areas ignored by banks, we believe they are the least favorable alternative. Credit unions aggressively attempt to serve all those that are underserved by the for-profit financial marketplace. Community credit unions, by definition, serve the entire community and could provide service to those areas served by check cashing outlets.

As member-owned nonprofit financial institutions, credit unions focus on service to their members, not generating profits for stockholders. This makes a credit union an ideal institution to provide a Treasury designated account, as credit unions typically offer accounts at minimal fees to their members.

Thank you for your consideration of our comments and concerns.

Sincerely,

Rebecca Howe

Rebecca L. Howe
Regulatory Compliance
Iowa Credit Union League

cc: CUNA